



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

October 21, 2002

OFFICE OF
AIR AND RADIATION

Dear Authorized Account Representative:

As the final year of compliance under Phase II of the Ozone Transport Commission (OTC) NO_x Budget Program draws to a close, it is time for you and your company to begin gathering the necessary data for determining the number of allowances to be deducted under Annual Reconciliation. The Clean Air Markets Division of EPA administers the OTC NO_x Budget Program for the OTC states. As the Authorized Account Representative, you are responsible for providing the Clean Air Markets Division with accurate and timely information, which may be drawn from a variety of sources within your organization.

Please share the information in this mailing with all of the people that are involved in preparing your company for compliance with the Annual Reconciliation requirements. This is the only letter that will be sent for the plants for which you are the Authorized Account Representative; we are not mailing paper copies this year.

Please use this link (<http://www.epa.gov/airmarkets/forms/index.html#otc>) to access the set of forms and instructions to provide us with the information required to determine the compliance status of your company's sources. All forms must be postmarked by December 31, 2002 for them to meet the submittal requirements. Everyone must complete the NO_x Annual Compliance Certification Report. If you choose to specify the serial numbers of the allowances to be deducted (rather than using our default first-in-first-out method) we encourage you to submit the Optional Allowance Deduction form information to us in a data file rather than using the paper form. Keep in mind that indicating which allowances to deduct from your account is completely optional.

If you need assistance completing the forms, or want general information concerning Annual Reconciliation for the OTC NO_x Budget Program, please contact the Acid Rain Hotline at (202) 564-9620 and leave your request in the "NO_x Budget" message box.

Once we receive your forms, we will enter the information into the NO_x Allowance Tracking System. That information is supplemented by emissions and configuration data provided from the processed quarterly data reports that you submitted to the Emissions Tracking System. If we have any difficulties in processing the information you provided on the forms, we will contact you to resolve the problem. We anticipate completing the Annual Reconciliation process and deducting allowances by March, 2003. You will be notified that the Annual Reconciliation process is complete when we send you the NO_x Allowance Tracking System report titled "Allowance Deductions for Compliance Year 2002" for each of your affected units.

Please remember that progressive flow control (PFC) is in effect for year 2002 Annual Reconciliation. The PFC ratio this year is 0.27, and it applies to any banked allowances (with a compliance year of 1999, 2000, or 2001) held in your compliance and overdraft accounts at the time deductions are made. The first 27 percent of

these banked allowances will be deducted at one allowance for each ton of NO_x emissions. The remaining 73 percent will be deducted at two allowances for each ton of NO_x emissions, if they are needed.

Compliance is determined on an individual unit basis, so a surplus of allowances in one compliance account and a deficit in another means the latter source has excess emissions, even if they are both part of the same plant or facility. Most States have authorized the use of overdraft accounts, which offer some protection from being out of compliance if there are insufficient allowances in an individual unit account. For States that have not authorized overdraft accounts, we recommend that you make sure that each compliance account contains a “buffer” of allowances beyond what you anticipate will be deducted.

The deadline for transferring allowances with the 1999-2002 compliance use dates is December 31, 2002. Transfers delayed in the mail will still be processed and the allowances will be available for use for Annual Reconciliation for 2002 as long as the postmark date is not later than December 31, 2002.

If you need to transfer allowances and are not already registered to use the On-line Allowance Tracking System (OATS), we encourage you to sign up. OATS allows you to use the Internet to transfer allowances and provides instant transfer confirmation. For more information on OATS, go to our website at <http://www.epa.gov/airmarkets/transfer/index.html>.

More information concerning the transition to the NO_x SIP Call Trading Program will be coming in the next few weeks.

I believe that working together, along with State representatives, we can achieve 100% compliance with the OTC NO_x Budget Program and continue to demonstrate the effectiveness and economic benefits of this innovative, market-based approach to reducing emissions of nitrogen oxides. Feel free to contact me or any of the Clean Air Markets Division staff with your questions or concerns as we conclude the final year of the Phase II OTC NO_x Budget Program.

Sincerely,

/s/ (October 21, 2002)

Sam Napolitano
Acting Director, Clean Air Markets Division



Instructions For NO_x Annual Compliance Certification

The NO_x Budget Program requires the authorized account representative to submit a NO_x Annual Compliance Certification Report for each budget source that is subject to the requirements for a control period.

This Report must be submitted, by December 31, for each plant and must include every budget source that is subject to the NO_x Budget Program. This form must be sent to the U.S. EPA and a copy sent to the appropriate State address.

- Step 1 Enter the Plant Name, State, and Compliance Year.
- Step 2 Enter the NO_x Allowance Tracking System (NATS) Account Number for each budget source at the Plant and answer each question for each budget source by marking an "X" in the appropriate box.
- Step 3 **OPTIONAL:** When two or more budget sources listed in Step 2 share a common emission stack or common fuel pipe and have emissions or fuel that are not individually monitored, you have the option of identifying the fraction of total allowances to be deducted from each budget source's NO_x Allowance Tracking System (NATS) Account. When using this option, enter the NATS Account Number, Fraction of Total Allowances to be Deducted, and the Common Stack or Pipe Identification Number for each budget source sharing a common stack or pipe. If you do not indicate otherwise, an equal percentage of allowances will be deducted from each budget source's account.

EXAMPLE 1: Four budget sources emit through a common stack (ID No. CS10). The total annual emissions from stack CS10 = 10,000 tons. Leaving Step 3 blank results in the deduction of 2500 allowances from each of the four budget sources.

EXAMPLE 2: The same four budget sources emit the same annual emissions as in Example 1. The designated representative wants 60% of the allowances deducted from budget source 1, 40% from budget source 4, and 0 from budget sources 2 and 3. The step is completed as illustrated:

NATS Account Number	Fraction of Total Allowances to be Deducted	Common Stack or Pipe Number
0 0 0 0 0 1 0 0 0 0 0 0 1	0 . 6 0 0 0 0 0 0	C S 1 0
0 0 0 0 0 1 0 0 0 0 0 0 4	0 . 4 0 0 0 0 0 0	C S 1 0

- Step 4 Read the Certifications. Enter your name and AAR ID Number. Sign and date the form.



NO_x Annual Compliance Certification Report

Page 1

For more information, see instructions.

STEP 1

**Enter the compliance
year, Plant name, and
State.**

Compliance Year	Plant Name	State
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STEP 2

Enter the NATS account number for each budget source at the plant and answer each question with an X in the appropriate box.

[illegible]

	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
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NO_x Annual Compliance - Page 2

Compliance Year	Plant Name	State
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**STEP 2
(Continued)**

	Column C	Column D	Column E
NATS Account Number	Has the monitoring plan for this budget source been maintained to reflect the actual operation and monitoring of the budget source ?	Were all emissions, including conditionally valid data, from this budget source monitored or accounted for, either through the applicable monitoring or through application of the appropriate missing data procedures?	Were there any changes in the method of operation of the budget source or the method of monitoring the budget source during the current year?
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	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
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